#### NANTUCKET COTTAGE HOSPITAL

FINANCE COMMITTEE - SEPTEMBER 11, 2014



#### Introduction

- Margot Hartmann, MD, PhD
  - President and CEO, Nantucket Cottage Hospital
- Stephen R. Karp
  - Board of Trustees, Nantucket Cottage Hospital

#### The Topics We Would Like to Discuss

- The need for a new hospital
- -site
- Alternative development sites
- The preferred development site
- Preliminary financial considerations
- Process/permitting path
- Timeline/next steps
- Frequently Asked Questions

#### The Need for a New Hospital

- Inefficient infrastructure requires NCH to spend more than \$1 million-a-year in repairs and maintenance and accounts for most of its operating deficit; these funds should be going towards better patient care and services
- NCH has only one operating room, which restricts scheduling of routine and emergency surgeries as it must be reserved when women go into labor due to potential for emergency C-sections
- Public Health standards with the exception of one function, CT scans
- Lack of space impacts patient privacy, restricts specialty care offerings
- > Any maintenance/improvement project is a complicated and expensive endeavor
- Critical services are separated in different areas of the hospital, an inefficient layout that results in the duplication of services and facilities, and prevents the efficient use of staffing
- The hospital building was constructed in 1957 with a medical inpatient model no longer in use

### Why we can't build a new hospital on the existing site

- Severe operational limitations impacting patients and staff associated with constructing a new hospital on the existing site while trying to operate the existing facility (construction noise, inadequate parking and inability to provide certain medical services)
- Many hospital functions would need temporarily to be relocated off-site to accommodate construction activities
- Existing medical office buildings would have to be demolished to accommodate construction
- The construction phasing would be very difficult and result in a large expense for the hospital
- New building would be constructed within 2 feet of existing facility, which jeopardizes existing hospital functions
- > Hospital design would be inefficient as a result of site constraints
- Flat roof would be required to accommodate helicopter landing pad; building design would be out of character for the Island and require HDC approval
- Certain key services could not be provided during the construction period, such as our walk-in care service
- > Construction would be highly disruptive to the outpatient services

### Site Plan for Existing Site



### Rendering for Existing Site



### Alternative Development Sites Reviewed

- After rejecting the existing hospital site, we identified certain key alternative sites
- The following sites were initially reviewed in 2013 and then subsequently refined in response to input from the Planning Department:
  - Existing site combined with 47 Prospect Street
  - Existing site combined with Gouin Village/Sevrens property
  - Valero site (64 Old South Road)
  - Glowacki site (63, 67 & 73 Old South Road and 4,6,8,10,12,14 Nancy Anne Lane)
  - 0, 20 Davkim Lane, 24, 26, 28, 30 Evergreen Road
  - Airport Parcel site from 10 Sun Island Road
- We also reviewed additional sites, including the Fairgrounds property next to the police station, the Town owned property next to Sherburne Commons and the Boy Scout Property on the corner of Fairgrounds and Surfside, which were rejected for a variety of reasons, including size, topography, cost, shape and location.

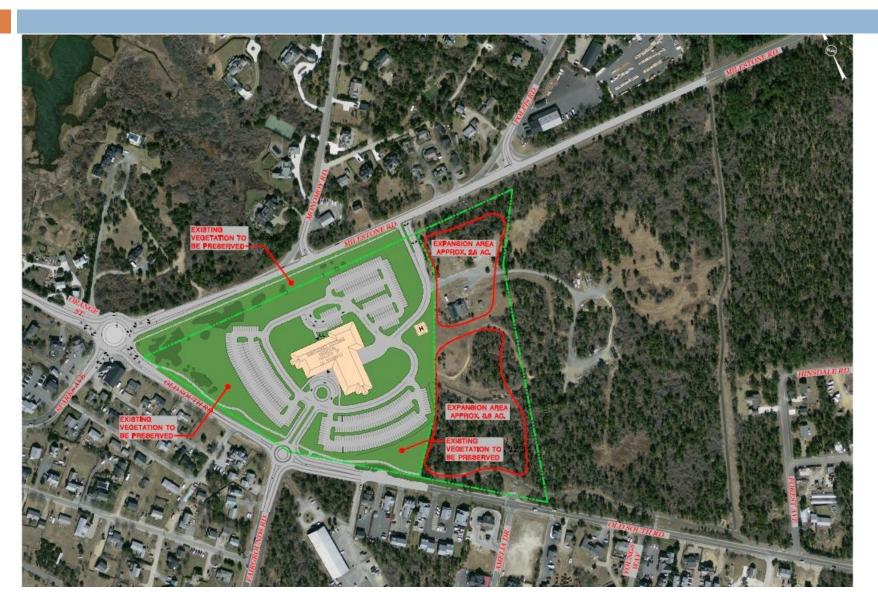


#### Preferred Alternative – Wyer's Valley

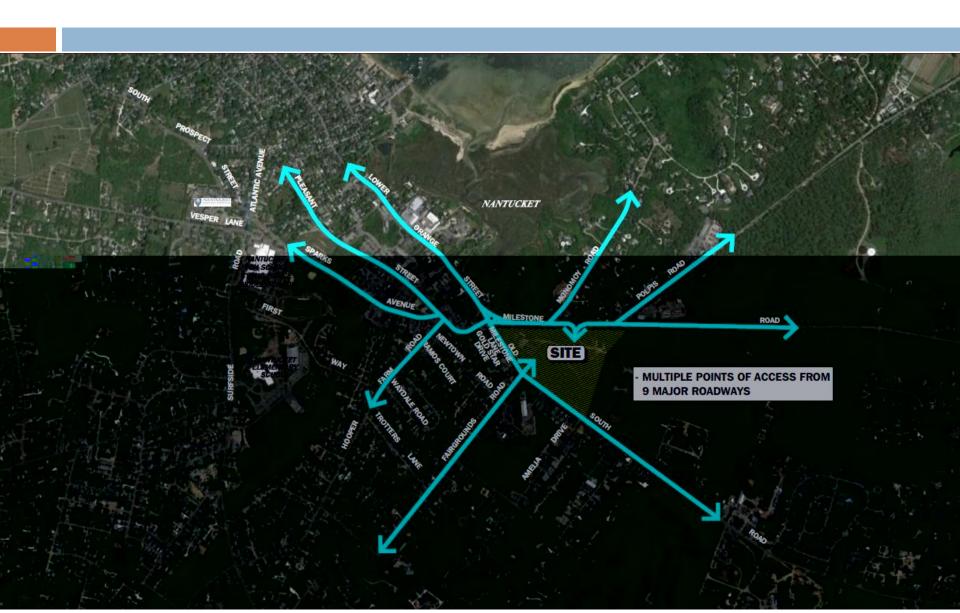
-term potential for a medical campus to meet a full range of island needs

- Located near the existing hospital site
- Total site area accommodates the anticipated program as well as future expansion areas to adapt to changing technology
- Topography allows the hospital to construct a new building that is consistent with the design of other island buildings and to utilize multiple levels (e.g., emergency services to enter on lower level)
- Superior access from multiple locations on the island with proximity to five roadways while other sites have only one or two access points
- Traffic report indicates the existing roadway network can support proposed project
- Close to public transportation and retail/restaurants
- Limits development to the edge of the Town Overlay Area without extending too far into the Country Overlay
- Site supported by the Water Company

### Preliminary Site Plan for Preferred Alternative Site



#### Site Access for Preferred Alternative



# Preliminary Financial Considerations

#### Water Company Requests

- In partnering with NCH, the Water Company has requested from the hospital:
  - Approximately \$1.5 Million for the installation of 2 new wells to replace the expensive to operate and outdated vacuum wells
  - Approximately \$2.5 Million for the construction of new Water Company offices and maintenance buildings on the North Pasture parcel

#### Tax Impacts

- currently pay taxes because the land is owned by the Water Company
- Impact of Tax Status on Existing Hospital Site:
  - will provide greater property tax revenue potential to the Town of Nantucket
  - If the existing hospital site is sold and redeveloped with housing, the site would be returned to the tax rolls generating, depending on the development program, in excess of \$30 million in real estate tax base

#### Site Values

#### **Valley Site?**

Due to the current zoning (LUG3) and ownership, the value is very limited

- What is the current value of the Existing Hospital Site?
  - Given the the current zoning, location and the potential for residential and commercial uses, the current value is approximately \$10 Million

### Town's Benefit from Sale of Existing Site

- Proceeds up to \$10,000,000 from the sale of the existing site, will be placed in the NCH endowment, and 4-5% annually will be dedicated to the use of a community board
- A community board would be appointed by the Selectmen and Finance Committee with representatives from the Board of Selectmen, Finance Committee, Hospital, civic leaders -5% of the proceeds as an annual payment
- After appointment, the Special Committee would allocate the annual proceeds to the year-round Town residents for healthcare services, such as:
  - Support for behavioral/mental health issues
  - Support for co-pays
  - Support for specialists
  - Other healthcare related uses as identified

#### **Our Island Home**

- As discussed with the Selectmen, if Our Island Home and the Hospital are at the same location, they could potentially share the following services:
  - Materials Management
  - Laundry
  - Food/Nutrition Services
  - Physical Therapy
  - Occupational Therapy
  - Speech Therapy
  - Laboratory Services
  - Medical Director
- The shared services could result in a substantial potential savings to Our Island Home and, therefore, the Town of Nantucket. The Island Home existing site has the potential to add to Town revenue from its sale and, possibly, real estate taxes.

#### Net Financial Benefit to the Town

- The Town could receive millions of dollars in value when you consider some combination of the following:
  - > \$1.5 Million to replace existing wells
  - \$2.5 Million to replace Water Company office and maintenance building
  - > \$400,000 \$500,000-a-year in payments provided for healthcare services (net present value of \$10,000,000)
  - > Taxable land at the existing site
    - Only by way of example, 30 residential homes sold at the median sale price for one family homes on Nantucket (\$1,115,000) would generate approximately \$125,772 in real estate taxes (\$3.76 of taxes per \$1000 of value)
  - Plus, potential financial benefits if Our Island Home is located on the proposed hospital site
  - Plus, no loss of existing taxable land

#### Anticipated process/permitting path

#### Local Approvals

- Any use of the land by the hospital would have to be approved by the voters of Nantucket at Town Meeting
- Rezoning to the Commercial Neighborhood zoning district, consistent with recent zoning efforts
- Creation of a hospital sub-district that focuses on the unique needs of a hospital, including the potential for expansion and related health care services
- Land restriction to ensure healthcare use as well as <u>preservation of existing</u> <u>vegetation/buffers</u>

#### State Approvals

- Environmental Notification Form
- Coordination with the state
- Coordination with DEP on well relocation

#### Anticipated timeline/ next steps

- Coordinate with the Selectmen on the process and the collective goals of the Hospital and the Town
- Coordinate with the Water Company on well relocation and related issues
- Coordinate with the Planning Department and Planning Board on potential zoning issues
- Coordinate with the Historic District Commission and Finance Committee
- Continue public outreach and dialogue on the need for a new hospital and site
- Coordinate with the state on permits and due diligence
- Identify timeline for Annual Town Meeting

### Preliminary Rendering for Preferred Alternative Site



### Frequently Asked Questions

### Why do you need a larger building on a larger site?

- The main hospital building would be located on approximately 7 acres; the total amount of land remaining after the well relocation and the hospital development (approximately 13 acres) allows for adequate stormwater systems, treed buffer areas, access, landscaped areas and parking and the opportunity for expansion as part of a medical campus.
- NCH currently has inadequate space for hospital departments and clinical areas. With the exception of one function, CT scans, these departments and clinical areas do not meet state Department of Public Health size standards
- To meet these standards, the new facility would be slightly larger than the combined square footage of the existing hospital and auxiliary buildings (aggregate square footage of existing hospital buildings is approximately 76,000 sf; square footage of proposed hospital is approximately 100,000 sf)
- The size of the new hospital is dictated by several factors, including Department of Public Health requirements, maintaining key services in the new building, and the topography of the site.
- sustainably.
- This properly sized building allows NCH to better serve the community, including providing:
  - Greater opportunity for specialists (e.g, dermatologists, neurologists and oncologists) to see patients;
  - Space for infusion services;
  - Adequate space for doctor exams and consults; and
  - offices.

### Why do you need a larger building on a larger site? (cont'd)

- The new facility must be designed to meet current standards, including a second operating room and a fixed MRI unit and diagnostic center.
- The building must be designed to provide adequate and appropriate space that will enhance the patient experience and provide our clinicians with an environment conducive to quality care.
- Adequate parking spaces will be constructed to support the hospital along with associated access and circulation drive aisles.
- Sidewalks and bikeways will be constructed to enable pedestrians and cyclists to access the hospital safely from bordering roads.
- A new building would allow the hospital to continue to add physicians and sub-specialists to its ranks, and provide a home for urgent care and primary care services that would assist in recruiting and retaining new doctors.

### Why doesn't the existing site meet future needs?

- Construction of a new hospital on the 5.7-acre site would impose significant constraints on the design of the new facility, and would take 18 months to two years to complete.
- This would cause an interruption in patient services, the temporary off-site relocation of medical offices and staff parking, and disruptive construction noise and dust (the new hospital building would come within two feet of the existing structure which would then be razed after new construction was complete). No space available on site for staging of construction equipment or materials.
- new building at an estimated additional cost of \$2-3 million: a fire suppression system and elevator shaft would be needed, as well as a flat roof to accommodate the helipad, requiring HDC approval for a building not in character for Nantucket.
- If a new facility were built on site, the hospital would be at capacity from the day it opened, prohibiting any future expansion or the development of ancillary structures and/or housing for staff.
- Current site is directly adjacent to one of the most congested intersections on Nantucket, and thus problematic for emergency ambulances and other emergency vehicle runs.

### What services will be offered in the new hospital?

- Cancer care
- Obstetrics
- Medical/surgical
- > Emergency medicine
- Ambulatory care with inpatient capacity
- Walk-in clinic/urgent care
- Primary care
- Additional sub-specialists
- Dialysis
- Imaging
- Nutrition counseling
- Speech therapy

#### What other sites did you look at?

- The following sites were initially reviewed in 2013 and then subsequently refined in response to input from the Planning Department:
  - Existing site combined with 47 Prospect Street;
  - Existing site combined with Gouin Village/Sevrens property;
  - Valero site (64 Old South Road);
  - Glowacki site (63, 67 & 73 Old South Road and 4,6,8,10,12,14 Nancy Anne Lane);
  - > 0, 20 Davkim Lane, 24, 26, 28, 30 Evergreen Road; and
  - Airport Parcel site from 10 Sun Island Road.
- We also reviewed additional sites, including the Fairgrounds property next to the police station, the Town owned property next to Sherburne Commons and the Boy Scout Property on the corner of Fairgrounds and Surfside, which were rejected for a variety of reasons, including size, topography, cost, shape and location.

## Comparison of Alternative Development Sites

Nantucket Cottage Hospital Alternative Site Analysis											
	Size	Zoning District	Ownership	Accessibility/ Location	Site Considerations	Transportation Considerations	Financial Implications	Environmental Considerations	Overall Feasibility		
Preferred Site: Wannacomet Water	21.8± ac	Zone LUG3     Country Overlay     District	Town of Nantucket Water Commission	Multiple access points     Access from multiple parts of the island via major roadways     Centrally located between downtown and residential communities near the majority of the island's population     Adjacent to other commercial uses	Few abutters     Currently developed with water company buildings, cleared access roads, and exterior storage areas     Large land area for anticipated program and future expansion     Topography conducive to desired design     Utilities available	Central location with multiple access points Hospital development to facilitate Massworks improvements at four intersections consistent with Town's Master Improvement Plan Public transportation available No FAA issues with heliport	No construction sequencing costs     No costs for relocating services during construction     Maintain one hospital campus during construction without duplicative services and increased operational costs	No Wetlands	Central location Land area and lot configuration to accommodate proposed hospital program and future expansion Topography to accommodate the optimal multi-level design; very good access Limits development to edge of Town Overlay Supported by Water company Catalyst to receive State funding for roadway improvements Better outcome for patients CONCLUSION: Right location; right size; good access; opportunity to expand; very few development issues.		
Alternate 1: Exist. NCH Site And 47 Prospect Street	(5.50 ac) (6.55 ac) 12.05± ac	Zone R-40 &     Commercial     Neighborhood (CN)     Historic District     Town Overlay     District	Nantucket Cottage     Hospital     Town of     Nantucket	Downtown area     Adjacent to high density residential communities	Currently developed with existing hospital     Construction sequencing concerns regarding construction while still operating the hospital on-site     Includes undeveloped town parkland     Subject to restrictions, including Article 97 approval     Extensive process, including 2/3 vote of legislature, to authorize use as hospital     Utilities available     Odd lot shape	Subject to same transportation constraints as existing site     Public transportation available     Existing heliport	Construction     Sequencing     Costs     Costs to relocate     existing     functions off-site     Duplication of     Services	No Wetlands     No Priority Habitat	Significant land use restrictions restricting hospital use Significant construction sequencing concerns would impact hospital operations Odd lot shape CONCLUSION: Extended approval process; out of local control; operational issues with keeping hospital open.		
Alternate 2: Exist. NCH Site And Gouin Village/Sevrens property	(5.50 ac) (6.79 ac) (4.00 ac) 16.29± ac	Zone R-10 & CN     Historic District     Town Overlay District	Nantucket Cottage Hospital     USA Coast Guard     UMass     Department of Environmental Management     Nancy J. Sevrens Trust	Downtown area     Adjacent to high density residential communities	Currently developed with existing hospital;     Construction sequencing concerns regarding construction while still operating the hospital on-site     Currently developed with residential housing     Multiple parcels bisected by Vesper Lane would present operational	Subject to same transportation constraints as existing site     Existing heliport	Results in 2 -     Campus Hospital     Duplication of costly services (imaging/labs)	No Wetlands     No Priority Habitat	Significant construction sequencing concerns would impact hospital operations Multiple owners and lots Intervening roadway would add operational constraints and costs CONCLUSION: Site layout doesn't work; approval out of local control; site is "broken up" by street/owners.		

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	S	Size	ize Zoning District		g District Ownership		Accessibility/ Location		Site Considerations		Transportation Considerations		Financial Implications		Environmental Considerations		Overall Feasibility	
								problems and increased costs  Utilities available				Owned				Located too far away from Town		
d design nitial d in building nent in a design nent in a	Alternate 3: 64 Old South Road	.23± ac	o	Zone CN Town Overlay District		& Richard Reality Trust	Located award downtown in Does not had points from island     Adjacent to density resident and the points are also points.	area ive access around the high dential	Limited land ar Currently deve some existing to Flat topograph accommodate two level entry Water available Kaussawa "ava	loped with obuildings y does not odesired y points of	Limited publi transportatio Airport traffi impact med- Heliport adja residential co	c in : likely :light cent to	on Costs I	Acoress	• (NH)3	on Old.5 /estands SP) Rare ces Habitat	access/related traffic concerns from band and area for futuresa  Medflight conflicts  Topography not ideal for desi  Adjacent to high density residence community  Subject to written covenant a restrictions regarding maximusive and design issues  Increases commercial development in the free spinen and area from the free for a hospita  Potential conflicts with plan commercial development we schedule  CONCUSION: Poor location; fin site too small.	
wn concerns cpansion Iding red design nd m building ment in a ial d public ed n unknown is too ; with	Alternate 4: 63, 67 & 73 Old Soi Road 4,6,8,10,12 & 14 N Anne Lane	uth	(7.75 ac) (3.32 ac) 11.07± ac	Zone CN Town Overlay District	Point I • Arthur Trust/	ond Great Devel, LLC Reade Jr. WJG 14 Ann Ln	Located av downtown     Does not h points fror island     Across fror density res communit	n area nave access m around the m high sidential	Limited land a Oddly shaped Currently dev some existing Water availat No sewer ava Acquisition cost/commer	l lot reloped with g buildings ble ilable	Limited put transportat     Airport traf impact med     Heliport adj residential d	ion fic likely I-flight	Priva Acqu • Sma wou off-s	ned by ate Party - uisition Costs II Lot size IId require iit insion	• (NH	Wetlands ESP) Rare cies Habitat	Limited access/related traffion Old South Road     Limited land area for future     Lot shape would constrain to design     Medflight conflicts     Topography not ideal for de     Subject to written covenant restrictions regarding maxin size and design issues     Increases commercial devel sensitive residential area     Inability to separate comme development from the need benefits/desire for a hospitic.     Potential conflicts with plan commercial development with plan commercial deve	

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Nantucket Cottage Hospital Alternative Site Analysis												
	Size	Zoning District	Ownership	Accessibility/ Location	Site Considerations	Transportation Considerations	Financial Implications	Environmental Considerations	Overall Feasibility			
Alternate 5: 0 & 20 Davkim Lane And 24, 26, 28 & 30 Evergreen Road	(13.99 ac) (7.36 ac) 21.35± ac	Zone CN/LUG2     Town Overlay     District	Richmond Great     Point Devel, LLC	No direct access from main road     Farther from downtown area     Adjacent to residential communities	Oddly shaped lot     Currently developed with some existing commercial buildings     Utilities available	Limited public transportation     Airport traffic likely impact med-flight     Heliport adjacent to residential communities	Environmental Costs Unknown     Inefficient; costs due to lot     Owned by Private Party - Acquisition Costs	No Wetlands     No Priority Habitat     Potential Brownfield site/ contamination	Located too far away from Town     Limited access/related traffic concerns on Old South Road     Lot shape would constrain building design and future expansion     Medflight conflicts     Topography not ideal for desired design     Not centrally located; in emergency situation, does not offer direct/identifiable routes of travel     Inability to separate commercial development from the needed public benefits/desire for a hospital     Uncertain environmental issues – asphalt plant?     CONCLUSION: Wrong location; too far from Town.			
Alternate 6: Airport Parcel From 10 Sun Island Road	20± ac	Zone LUG 3     Country Overlay	Town of     Nantucket	Located away from downtown area     Adjacent to Nantucket Memorial Airport	Currently undeveloped (wooded)     Utilities available	Limited public transportation     Heliport in flight path of Nantucket Memorial Airport	Wrong location     Poor Access     Acquisition costs unknown (Airport Commission)	No Wetlands     (NHESP) Rare     Species Habitat	Located too far away from Town     Limited access     Medflight conflicts     Topography not ideal for desired design CONCLUSION: Uncertain permit path; too far from Town.			

#### Additional Sites Reviewed:

- A. The Fairgrounds property next to the new Police Station This site is flat, small, but in a good location. The site was eliminated due to the size and shape of the property. Did not allow for any expansion and the topography would not accommodate the two level entrance points.
- B. Town owned property next to Sherburne Commons This site is too small and the topography is flat. Also not a good central location.
- C. The Boy Scout Property on the corner of Fairgrounds and Surfside This site is large but does not have the ideal topography or central location. This site is also very expensive.

### What are transportation advantages of the Wyer's Valley site?

- Located within 1 mile of the existing hospital site
- Centrally located from island villages and major population centers
- Safe and convenient emergency vehicle access from major roadways
- Direct access from Old South Road and Milestone Road
- Does not require primary travel through residential areas
- Primary access routes provide adequate width and separate accompanying facilities for pedestrians and bicyclists for safety
- Emergency response times are similar to or improved over current hospital site
- Accessible from all 7 NRTA bus routes
- None of the other sites provide this level of transportation benefits

## Will the new hospital impact the aquifer?

between building the new hospital at the water company property or building it at the current NCH site.

- The potential for any issue is highly unlikely, given the measures included in the design, but the benefits to the community from a centrally located hospital with excellent transportation links to most portions of the island are significant.
- The Best Management Practices (BMPs) that will be part of the project design will provide better protection from and better response actions than is available
- commission felt this was an opportunity for tomorrow, to make a partnership to protect public health, increase public health, and create the services we need on Nantucket. The commission is, bottom-line, committed to protecting the drinking

The proposed hospital will be farther away from the wells than existing commercial buildings. (See attached)

